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Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 9 November 1994, at 10 a.m.

President: Mr. EL HUSSEIN (Sudan)
later: Mr. ARCILLA (Philippines)

CONTENTS

Agenda item	Paragraphs	Agenda item	Paragraphs
4 Progress report for 1994 on specific UNIDO activities, in particular:		(a) Report of the External Auditor, financial performance report and programme performance report for the biennium 1992-1993	
(a) Human resource development		(b) Financial situation of UNIDO	
(b) Development and transfer of technology		(c) Medium-term plan, 1996-2001 (including implementation of resolution GC.5/Res.1)	
(c) Industrial rehabilitation and modernization		(d) UNIDO-administered funds	
(d) Small- and medium-scale industries		(i) Guidelines and procedures governing acceptance and funding	
(e) Environment, energy and sustainable industrial development	1 - 79	(ii) Industrial Development Fund	80 - 92
(f) Industrial investment promotion		(iii) In-depth evaluation of special trust fund projects	
(g) Integration of women in industrial development (continued)		(e) UNIDO Country Director programme	
6 The external debt and industrial development (continued)		(f) Accounting standards	
7 Industrial development cooperation and consultations (including implementation of General Assembly resolution 47/153) (continued)		(g) Electronic data-processing programme	
5 Report of the Programme and Budget Committee		13 Home leave entitlements of staff serving in the UNIDO Secretariat	

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The meeting was called to order at 10.30 a.m.

PROGRESS REPORT FOR 1994 ON SPECIFIC UNIDO ACTIVITIES, IN PARTICULAR:

(a) HUMAN RESOURCE DEVELOPMENT

(b) DEVELOPMENT AND TRANSFER OF TECHNOLOGY

(c) INDUSTRIAL REHABILITATION AND MODERNIZATION

(d) SMALL- AND MEDIUM-SCALE INDUSTRIES

(e) ENVIRONMENT, ENERGY AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

(f) INDUSTRIAL INVESTMENT PROMOTION

(g) INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT
(continued) (IDB.13/12 and Add.1)

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (continued) (IDB.13/13)

INDUSTRIAL DEVELOPMENT COOPERATION AND CONSULTATIONS (INCLUDING IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153) (continued) (IDB.12/2, chap. IV, paras. 26-40; IDB.13/15, IDB.13/16, IDB.13/30; IDB.13/CRP.3)

1. Mr. YIGEBRU (Ethiopia) said that the highest priority of every nation was the pursuit of a better standard of living and a higher quality of life for its people. In Africa, where most of the least developed countries were to be found, the efforts to achieve industrial development, which had been under way since the 1960s, were being eroded by internal and external, natural and man-made factors that had precipitated widespread economic difficulties. Industry, far from being the driving force of the economy, had become a burden consuming meagre foreign exchange resources and contributing to a growing external debt. Coupled with the downturn in the global economy and the decline in official development assistance, that situation had aggravated the structural weaknesses affecting African economies.

2. Ethiopia attached special importance to the development of industry and, following the demise of the former regime and the introduction of a lasting peace, had introduced a new economic policy geared to promotion of a market economy, limiting government participation to areas of strategic concern and encouraging the participation of private investment, both local and foreign.

3. In a world where the conditions of industrialization were continuously changing, UNIDO had to be able to adapt to new developments. Ethiopia was interested in new concepts and approaches relating to industrial development and would welcome a continuing process of re-examination and renewal.

4. Human resource and technological development in the industrial sector was a crucial area of activity for UNIDO; attention should be focused on the specific needs of developing countries at different levels of development and extrabudgetary funding from bilateral and multilateral sources should be sought for the purpose.

5. Although industry played a critical role in economic development and in improving the economic welfare of peoples, its contribution to the deterioration of the environment was causing considerable concern throughout the world. Despite the advances made towards environmental protection, much still remained to be done. For example, establishment of a pollution-free environment in Europe would be ineffective if at the same time pollution-intensive machinery continued to be sold to Africa.

6. Ethiopia was going to considerable lengths to improve its environment. In addition to the holding of seminars on the subject, a National Environmental Protection Authority had been established to draft environmental policies, implement them and monitor their results. It was to be hoped that the donor community would make a contribution to that effort. In fact, all industrialization programmes were conditional on receiving financial backing from various sources such as UNDP, bilateral donors and trust funds.

7. Ethiopia, one of the poorest of the LDCs, had made full payment of its contribution to UNIDO up to 1994, thus demonstrating its commitment to industrial development. It was hoped that that would be an example to other Member States in a better financial position. Economic and technical cooperation was one of the most appropriate forms of development strategy for developing countries. UNIDO's efforts to that end were laudable and it was urged to strengthen its activities in that regard.

8. Mr. ONSY (Egypt) said that the progress report (IDB.13/12 and Add.1) clearly demonstrated the will to implement the priorities and objectives laid down for the Organization. Since economic development was a cornerstone of sustainable and equitable social development, he welcomed UNIDO's participation in the World Summit on Social Development in 1995. UNIDO's fulfilment of its commitments during the period of organizational restructuring had been appreciated.

9. Egypt considered human resource development an indispensable component of the industrialization process and an important measure facilitating the transfer and assimilation of technology, marketing, investment and mobilization of resources. However, it hoped that UNIDO could provide a more specifically directed strategy in that field, covering direct support and guidance in various areas to training institutions. The development of human resources in all industrial subsectors was considered very important in Egypt, in particular in the engineering, electrical, electronic and chemical industries. Establishment of training centres to meet the needs of general and specialized industrial development was also necessary. His delegation urged UNIDO to increase its cooperation in that field with Egypt through projects funded by the Egyptian Social Fund.

10. He fully endorsed the proposals for reshaping and upgrading the environment programme, in particular with regard to the transfer of clean technology to small- and medium-scale industries. UNIDO's cooperation with the Montreal Fund should serve as an example for other areas of the Organization's activities since it demonstrated UNIDO's ability to mobilize non-traditional resources and to win the confidence of the international community.

11. Egypt accorded high priority to small- and medium-scale industry, which made a major contribution to industrial growth and the development of ancillary industry. The section of the report dealing with the small- and medium-scale industry programme should be given greater focus and coherence and provide a clear indication of the areas in which UNIDO was best placed to contribute.

12. Improved focus would also be welcome in programmes for the development and transfer of technology, in particular the development of a technological database - a vital tool for assisting developing countries in negotiations on transfer of technology, and in general in international industrial cooperation.

13. It was important that the short period remaining before the next General Conference session should be used to streamline the Organization's programmes and activities since that was the only way for it to maintain its competitive edge in the international community. Programmes had to be made more compact, and be broken down into clear objectives and specific activities that could be itemized in the budget and medium-term plan to allow evaluation and improvement from one programme cycle to another. However, the timely provision or increase of funding was needed, and consideration might be given to increasing the figure of six per cent earmarked for technical cooperation activities to allow more resources to be made available from the regular budget, as well as providing more stable funding for the UNIDO Country Director programme by financing part of it from the regular budget.

14. Mr. AL-ZEID (Saudi Arabia) said he had particularly appreciated the sections of the report dealing with human resource development, industrial rehabilitation and modernization, particularly with regard to small- and medium-scale industry, and environmental protection. Continuation of UNIDO's strategy for training nationals of developing countries, and increasing the transfer of technology to those countries, was essential to enable them to make the best use of local capabilities and skills while receiving assistance in restructuring their economies and rehabilitating their enterprises. In that way, integration of their industrialization programmes could be improved and their regional and global competitiveness enhanced.

15. Saudi Arabia attached considerable importance to UNIDO's efforts to achieve industrial development without damage to the environment; an area of particular interest was the development of drinking-water resources and of new and renewable sources of energy in order to tackle the problem of desertification.

16. The System of Consultations played a major part in helping developing countries to assess the problems they faced in industrial development. UNIDO could contribute significantly to accelerating industrialization in such States and strengthening cooperation among them. The conclusions and recommendations resulting from the 1993 Consultations were particularly pertinent. In order to achieve optimum results in the areas covered, UNIDO would need to provide technical cooperation within the framework of the programme of work in the context of the follow-up of consultations.

17. Saudi Arabia welcomed the fact that UNIDO would participate in the 1995 World Summit for Social Development, and agreed with the view that industrial development was a key element in economically and socially sustainable development.

18. Ms. BALOH-PLAHUTNIK (Observer for Slovenia) expressed appreciation of UNIDO's efforts to reform its structures and to provide programmes better tailored to the needs and expectations of its Member States. She welcomed in particular the emphasis on industrial rehabilitation and modernization and on accelerated human resource development, which Slovenia considered a key component in the transition processes under way in Central and Eastern Europe.

19. The Slovenian economy was expected to complete its transitional process by the end of 1996 with achievement of a market economy, restructuring of industry, privatization and industrial growth. The Slovenian Government was abandoning the policy of direct intervention in the economy and was implementing an industrial development policy as its main means of influencing industry and promoting modernization. The principal problem was not shortage of funds, equipment or technology but low management skills and a severe shortage of human resources. Emphasis was therefore being placed on the retraining of industrial managers and the provision of appropriate vocational training to all sectors of the workforce throughout industry, focusing in particular on managerial levels. A complex and efficient educational system had thus been created.

20. Slovenia was not alone in its experience; other countries in Central and Eastern Europe and other economies in transition also found lack of appropriate training a major stumbling block. It was therefore of the utmost importance that an institutional framework be created for the exchange of experience and knowledge and for the efficient use of available resources. In that sphere, UNIDO should strengthen its cooperation with other international organizations with a view to rationalizing training endeavours. Slovenia strongly commended the efforts made by various international organizations, in particular the International Center for Public Enterprises (ICPE), to strengthen and upgrade their existing partnerships with UNIDO.

21. Mr. Arcilla (Philippines) took the Chair.

22. Mr. KOSTENKO (Observer for Ukraine) said that definite, though somewhat modest, progress in UNIDO's activities was observable from the progress report (IDB.13/12 and Add.1). It was clear that the restructuring of the Organization and the considerable reduction in its financial resources would not permit any immediate major increase in the services offered. Nevertheless, he continued to hope that, when complete, the reform process would improve UNIDO's ability to respond actively and effectively to the needs of Member States.

23. Despite the difficulties of transition, Ukraine continued to make every effort to contribute to UNIDO programmes, in particular human resource development. In 1994, the Ukrainian Government had indicated its willingness to cover all national currency costs of a two-month seminar on electrical welding to be held at the Patok Institute, for specialists from developing

countries. The project was now at the implementation stage and the Ukrainian Government hoped that a long-term agreement might be concluded for use of the centre by UNIDO for training purposes and for the transfer of modern welding technologies on an ongoing basis.

24. With regard to the promotion of industrial investment in countries with transitional economies, Ukraine fully endorsed the measures to strengthen the UNIDO network of investment promotion units, whose effectiveness had been well demonstrated. Ukraine was currently engaged in negotiations with the Secretariat with a view to the opening in Kiev of a UNIDO office for promotion of industrial investment. Ukraine, like many other countries that had applied for such offices, agreed that the salary scales of specialists in such local offices should be brought into line with those in the national civil service. The expense incurred by States in running such offices would thus be considerably reduced and their establishment would be facilitated.

25. Mr. KONSTAS (Observer for Greece) asked for clarification of UNIDO's plans to promote a better environment and a cleaner industrial technology in the Mediterranean and Black Sea region.

26. He reaffirmed the Greek Government's strong and continuing interest in hosting the Centre for Clean Industrial Technologies in the Athens area. The relevant negotiations were almost complete, and it was hoped that the Centre could begin operation as early as 1995.

27. Mr. HOSSEINZADEH (Islamic Republic of Iran) said that the human resource development programme was of paramount importance. Provisions were required to expand training at all levels of industry and management, in particular to meet the needs of the developing countries. There was also a need for consistent coordination of human resource development in areas such as pure and applied science, research and development, and transfer and management of technology.

28. Unemployment and underemployment were major problems in the developing countries, and UNIDO's training programmes should be designed to foster flexible skills to enable trainees to adapt themselves to changing market conditions. Modular systems and more widely ranging and more accessible software should also be made available to trainees from developing countries. In cooperation with UNIDO, the Islamic Republic of Iran would be holding 17 training and retraining courses for technicians and specialists and in industrial investment. His country hoped it would be possible for it to hold more such courses in the context of in-service training in order to broaden the base of countries offering such training and to provide a more equitable geographical basis for acquiring such training.

29. With regard to the development and transfer of technology, it was important that all countries should have access to information on modern technologies and so gain a greater awareness of the advantages and possible disadvantages in their own context. Negotiating skills were very important in the context of transfer of technology contracts; UNIDO was therefore urged to hold further courses on the subject, simplifying the legal aspects, and to seek the assistance of the World Intellectual Property Organization (WIPO) to that end.

30. The assistance of both the public and private sectors was necessary to achieve industrial rehabilitation and modernization. In his country and the region at large, privatization and economic liberalization were in full swing. It would be useful for countries of the region to benefit from the experience of others: accordingly, his delegation proposed that UNIDO convene a privatization workshop in Tehran similar to the seminar held for the Central Asian republics and mentioned in paragraph 96 of document IDB.13/12.

31. In the first five-year development plan, his country had taken effective steps to achieve economic adjustment and the rehabilitation of war-damaged industries, and it was determined to modernize those industries speedily under the second plan. UNIDO should devote special attention to the rehabilitation and modernization of industry, especially in war-torn countries. His delegation welcomed the rehabilitation programme for Sarajevo described in document IDB.13/27, paragraph 51.

32. Small- and medium-scale industry constituted the backbone of industrial development in the developing countries. Small-scale industry was of particular importance for the developing countries because it was economical, simple and generated employment. Unfortunately, small-scale industries in the developing countries had no subcontracting exchange that would give them information about each other's capabilities and enable them to produce parts and products for large-scale industries. Small-scale industries also faced difficulties in terms of financing and product export. The international financing agencies should furnish assistance so that the products of small-scale industries could be made competitive in international markets. It was gratifying to note that an independent branch within UNIDO was to be devoted to small- and medium-scale industry.

33. Environmental pollution had become one of the main concerns today, not just for the developing countries but also for those that were technologically advanced. The issue was of paramount importance in the Asian region and particularly in his country, which made use of UNIDO's experience in implementing environmental projects and developing clean technologies. His country welcomed UNIDO's involvement in such activities and applauded its selection as one of the four agencies involved in implementing the Montreal Protocol. His country had always supported the use of new and clean technologies in achieving sustainable industrial development. It was involved in efforts to decontaminate the Caspian Sea and the Persian Gulf in the context of development of marine industries in cooperation with the Persian Gulf States.

34. The establishment of the World Investment Network Service linking Industrial Promotion Service offices was a step towards sound investment in the developing countries. One of his country's priorities during its second five-year development plan was promotion of domestic and foreign investment. Under a newly formulated investment law, many facilities would be provided to support investment, particularly in terms of repatriation of principal and profits and investment guarantees.

35. In conclusion, his delegation urged the Director-General to implement vigorously the follow-up action outlined in the annex to document IDB.13/15.

36. Mr. WEJTKO (Poland) said that Poland attached particular importance to human resources development and strongly supported UNIDO's industrial investment promotion activities. Much of Poland's voluntary contribution to IDF went to two UNIDO programmes being implemented in the country: the Investment Promotion Service office and the training course on project preparation, financing and appraisal. The first such course had been organized 14 years ago, and in 1994 participants from Central and Eastern Europe had taken part for the second time. The activities of UNIDO's office in Warsaw were very valuable: the experience gained could be shared with other countries of the region. The Polish Government was doing its utmost to secure the necessary resources to continue that form of cooperation with UNIDO and hoped to conclude very soon its discussions with the Secretariat on the organizational and financing arrangements best suited to its specific conditions. His delegation welcomed the realistic and flexible approach applied by UNIDO to some of the related problems, including personnel arrangements and programme funding.

37. Turning to some of the topics raised in document IDB.13/12/Add.1, he said that the strengthening of the IPS network by the addition of 16 countries was very encouraging: all the countries involved would certainly benefit from that expansion. He strongly supported the idea that UNIDO must be flexible so as to meet the requirements of each host country. That was particularly important when private companies and banks were involved in the co-financing of a UNIDO office. If the private sector was willing to pay for the services provided by the office, that clearly attested to the effectiveness and efficiency of the IPS and could eventually result in reduction of the budgetary input by the host Government. His delegation agreed that the IPS network's objectives and functions must be compatible with UNIDO's mandate and Constitution. It would, however, encourage the Secretariat to adapt the relevant regulations so as to provide financial flexibility for the office. The desirability of the local budget's not being overburdened with overhead costs should also be taken into account.

38. Poland supported the idea of having a draft standard agreement of open-ended duration and a three-year project budget. The scale of salary and rules for recruitment for the head of the office and other staff should be the subject of individual agreements between UNIDO and the host Government. The possibility of applying the UNDP National Officer salary scale should be taken into account. He requested clarification concerning the possibility of "programme funding" to complement host Government contributions mentioned in paragraph 7 of document IDB.13/12/Add.1.

39. Poland attached great importance to UNIDO's activities in the area of industrial rehabilitation and modernization. Such assistance was needed both in developing countries and in countries with economies in transition. UNIDO's approach permitted very flexible reactions, taking into account the specific conditions of individual countries.

40. Mr. HOBEICA (Observer for Lebanon), referring to document IDB.13/12, said his delegation particularly appreciated the section on human resource development, which underlined the need for cooperation with Governments, the private sector, associations of industrialists/ entrepreneurs, chambers of commerce and international organizations. It was true that there was an increasing tendency to focus on cooperation with manufacturers' associations as a productive way of engaging in technical cooperation. Local training centres should be enhanced and the best use made of existing training institutions in developing countries.

41. His country had recently emerged from a war and was actively involved in reconstruction and development. Training in the use of construction materials was particularly important to ensure quality and productivity, and his delegation hoped to benefit from UNIDO projects in that area. The transfer of technology through the BOT (build-operate-transfer) model was a good way of accelerating the development of infrastructure projects. His delegation welcomed UNIDO's emphasis on that approach and hoped to become involved in such activities for its major rehabilitation projects in such areas as transportation, highway construction, electricity and water management. Lebanon also attached great importance to the transfer of clean technology in accordance with the Montreal Protocol. He thanked the Secretariat for responding to his country's request for assistance in that area.

42. Mr. ARIZAGA (Ecuador) said his delegation welcomed UNIDO's determination to improve its cooperation with a number of United Nations agencies and thereby to avoid duplication of efforts. Effective cooperation with UNDP was especially important in view of that body's significant contributions to UNIDO. If those contributions were diminished, UNIDO's work would be seriously affected. The UNIDO Country Director programme must not be jeopardized, however, since mobilization in the field was absolutely indispensable.

43. Ecuador was keenly interested in environmental issues: it had set up a commission to develop an environmental conservation policy, and that would, naturally, have an impact on industrial processes. His Government believed that the transfer of clean technology should be expanded through the use of most-favoured nation treatment. UNIDO must make consistent efforts to disseminate information on environmental risks and enhance in-house analytical capacity in the field of environment and energy.

44. Investment promotion was of strategic importance for developing countries, including Ecuador. The efficacy, efficiency and scope of such activities should therefore be increased. The measures proposed to strengthen the network of Investment Promotion Service offices would be productive and would also promote decentralization of the Organization.

45. Ecuador's external debt had recently been restructured, and bilateral negotiations with members of the Paris Club were in their final stages. Debt servicing nevertheless remained a source of concern for the immediate future and in the medium term. His delegation supported the Director-General's efforts to increase the financial contributions to IDF for the purpose of reviving and enhancing the industrial competitiveness of highly indebted developing countries. In view of the fact that a portion of the financial resources of developing countries

was devoted to debt servicing, international organizations such as UNIDO should contribute funds for industrial development in such countries.

46. Mr. OWIREDU (Ghana) said that if UNIDO was to promote sustainable industrialization world-wide as a means of eradicating poverty, particularly in the least developed countries, the changes being made in the Organization were a step in the right direction. But patience, cooperation and understanding on the part of Member States was required in order to achieve such progress. All the factors inhibiting UNIDO's efforts must be identified and the cooperation of the organizations and agencies concerned sought before any progress could be made on such issues as modifying the terms of international trade, which prevented the developing countries from making savings and investments. The results of the Uruguay Round would only exacerbate such problems for developing countries, particularly those that produced raw materials.

47. His country had received support from UNIDO in a number of areas, including: strengthening of industrial planning; use of locally produced sorghum in the beer and malt industries; feasibility analysis for the activities of the national investment bank; a pre-investment study for the fish industries; advisory assistance for the reorganization of the Ministry of Trade and Industry; development of small-scale and medium-scale industries; and assessment of the potential for medicinal plant processing. Requests for assistance were still being considered in respect of projects in the textile and garment industry, agro-industry, engineering and training facilities for small- and medium-scale industries and computer hardware maintenance and software engineering services. The net effect of the various forms of assistance was expected to help Ghana develop an industrial sector that was internationally competitive and export-oriented and created jobs. Ghana looked forward to improved cooperation with UNIDO in the industrialization of all developing countries so that progress would be made by the year 2000.

48. Mr. RIANOM (Observer for Indonesia) noted that there was a growing need for qualified industrial manpower in developing countries. Indonesia supported UNIDO's intention to link the development of human resources for industry with the transfer of technology and the enhancement of managerial capability and capacity. Greater attention should be paid to manpower development and employment in all of UNIDO's technical assistance programmes and projects.

49. The establishment within UNIDO of a branch to deal with small- and medium-scale enterprises would further the aspirations of developing countries in that area. Indonesia supported UNIDO's cooperation with bilateral and multilateral donors through research and joint projects to facilitate the exchange of experience and the complementarity of support services. Such activities should be further developed.

50. His delegation welcomed the progress made in promoting industrial investment in developing countries. The dissemination of information on the investment climate and opportunities for developing countries in the industrial and financial sectors of other countries should continue to be provided through IPS offices. His Government welcomed the establishment of the World Investment Network Service (WINS), which would certainly help developing countries to finance and promote their industrial programmes.

51. His Government pledged its support to the Director-General in furthering industrial development cooperation among Member States, especially with a view to enhancing technical and economic cooperation among developing countries. Technology was a crucial factor in boosting economic growth and speeding the development process. But it was not easy for developing countries to acquire or adapt technologies for their industries. Indonesia's experience with technical cooperation among developing countries had shown that it was a valuable way of increasing the flow of technology. The main responsibility for such activities lay with the developing countries themselves, but continuing support from donor countries and United Nations bodies was still required. Such activities would be even more effective if backed up by appropriate information on the technological needs and capabilities of Member States. His delegation urged UNIDO to promote the dissemination of such information.

52. The Director-General had referred in his opening statement to the time needed to implement the reforms decided upon at the General Conference session at Yaoundé. His delegation hoped that that process would not distract the Organization from its development objectives.

53. MR. AKAO (Japan) said that the new opportunities for fund raising referred to by Ms. Tcheknavorian-Asenbauer in her introductory statement constituted one way of at least partially overcoming UNIDO's financial problems. Of course, full and timely payment of assessed contributions was the key issue, together with a steady increase in voluntary contributions, but he strongly supported the idea of seeking funds through other channels, both multilateral and bilateral, especially in the field of the environment, at a time when UNDP financing was declining. Reference had been made in that context to UNIDO's increased activities under the Multilateral Fund set up by the Montreal Protocol, which had already entered a second three-year phase with total resources of $500 million. In that connection he pointed out that while the developed countries were committed to phasing out CFC gases by 1995, the developing countries had a 10-year grace period and would need substantial assistance from the Multilateral Fund.

54. Another area related to the use of the Global Environment Facility (GEF), also in its second three-year phase. It covered not only global warming but other areas too, and he welcomed the fact that UNIDO had been included among its executing agencies. Under Agenda 21, UNIDO clearly could not be involved in all its aspects, but should participate in activities relating to the phasing out of CFC gases, global warming, pollution prevention, energy saving and chemical wastes.

55. Depending on how well it managed to seize those new opportunities, he believed that there were no grounds for pessimism about UNIDO's future.

56. Mr. PIRKMAJER (International Center for Public Enterprises) said that the ICPE, which had 42 member countries and 50 affiliated members, had been established 20 years ago to carry out research, consultancy and training activities in the field of public enterprises. Subsequently its core interests had become management development, industrial restructuring, rehabilitation and privatization. As a result, its Assembly had decided in September 1994 that a change of name should be considered.

57. ICPE's present activities reflected the overlapping interests and needs of its member countries and funding agencies, which included Governments and institutions such as Austria, Canada, the Netherlands, Sweden, the Commonwealth Secretariat, UNDP, the World Bank, the European Bank for Reconstruction and Development, ILO and various individual sponsors. ICPE was a UNDP executing agency, had observer status in the Economic and Social Council and cooperation agreements with several international organizations. It had organized conferences and other activities at its headquarters and elsewhere. Its major current project was a one-year residential course for managers and policy makers focusing on contemporary management techniques, marketing, privatization and industrial restructuring. Its training activities were referred to in paragraph 95 of document IDB.13/12.

58. A resolution adopted by the ICPE Assembly called for closer integration of the Center's activities with similar efforts of the world community in the field of industrial restructuring. A proposal had also been made for more formalized cooperation with UNIDO that would not involve direct financial implications for either body. The ICPE secretariat considered that proposal most timely, since the developing countries and economies in transition were at present undertaking major economic reforms. ICPE, which was itself undergoing an internal restructuring process, looked forward to exploring with UNIDO how best they could work together for the benefit of their members.

59. Mr. DE MARIA Y CAMPOS (Director-General), offering some general comments, noted with satisfaction that the debate had indicated that throughout the complicated restructuring process UNIDO had steadily continued its regular programme of work, which was a considerable feat. Furthermore, it had emerged that with the resources at present available the task of priority setting had already begun. Progress had been made in all divisions of the Secretariat, especially those responsible for technical cooperation, in the following areas: the focusing of activities and establishment of priorities; the review of working methods to improve efficiency, cost-effectiveness and the quality of services; and the build-up of a pipeline of activities calling for a considerable effort of programming and project formulation in future months to ensure that operational income went up. In that respect he drew attention to a substantial increase in the number of approvals; in 1993 UNIDO had reached the bottom of the curve and he was pleased to point out that approvals in 1994 were already higher than in 1992.

60. A thorough review of institutional mechanisms had been conducted in all areas. For example, an effort had been made to render the investment promotion network both more effective and more uniform in the services it supplied. In addition, new mechanisms had been established, such as the network of cleaner production centres, which both the developing countries and economies in transition viewed with great interest, while the donor countries also seemed ready to offer their support.

61. The Secretariat had realized that there was a need to inform the Board more fully about the activities that had been carried out. The representative of Germany, for example, speaking on behalf of the European Union, had suggested that the presentation of data could be improved by including evaluation and quantitative elements in the documentation. While he was ready to provide such information in future, he pointed out that it was not always easy to cover different areas in a single document. Nevertheless, everything possible would be done to meet that request.

62. Virtually all speakers had expressed keen interest in human resource development, which UNIDO knew to be an area of vital concern to developing countries, economies in transition and developed countries alike. Accordingly, the subject had been included among the Organization's priority activities. In that context he recalled the International Conference on Human Resources Development held in Sweden in June 1994, whose findings were helping to produce a more focused programme of activities better geared to the needs of the developing countries.

63. Several representatives had commented on South-South cooperation, to which particular importance attached at a time of dwindling resources and reduced contributions to development assistance. The greatest possible support would be given to such activities. Current programmes would be reviewed with a view to presenting not only a general strategy, but concrete activities for both South-South cooperation and cooperation between the developing countries and economies in transition.

64. Finally, UNIDO was ready to strengthen its long-standing cooperation with ICPE, leading to a joint programme that would be of benefit to all Member States.

65. Ms. TCHEKNAVORIAN-ASENBAUER (Managing Director, Industrial Sectors and Environment Division) thanked representatives for their positive comments which would help the Secretariat to further improve the environment and energy programme by focusing it more precisely on the requirements of clients. She had been gratified to hear from the representative of Germany, speaking on behalf of the European Union, that the programme was on the right track. Generally speaking, all Member States had confirmed the importance of the programme, recognizing that the environmental dimension had to be integrated in all UNIDO's activities, such as small- and medium-scale industries, human resource development, investment, industrial policies and strategies and so on, in order to ensure their sustainability.

66. Replying to specific questions, she confirmed that the Turkish project under the Montreal Protocol would be submitted for final approval in December. The Egyptian programme for phasing out CFC gases was the first and largest project so far launched under the Montreal Protocol - an achievement of which both UNIDO and the Egyptian

Government could be proud. A further $7 million programme would be presented for approval in December. In reply to a question raised by the representative of Greece, she pointed out that in the project area of clean technologies UNIDO had been attempting to create national capacities and centres in the developing countries, but had concluded that it was neither financially nor technically possible to establish such national centres in the countries surrounding the Mediterranean and the Black Sea. Indeed, many of them were fully competent in that field themselves. Instead, it had been decided to rely on networking for the exchange of information and the provision of training. The Mediterranean and Black Sea project was now reaching its final stages with missions carried out to two groups of countries, namely Egypt, Albania and Bulgaria, and Turkey, Cyprus, Morocco and Romania. A report had now been finalized, recommending the creation of two sub-regional centres, one in Greece for the Mediterranean and the other in Romania for the Black Sea. She wished to thank the Greek Government for offering to host one of the centres and to make a generous contribution to its financing. An expert meeting was planned for the final approval of the two centres.

67. Finally, she fully agreed with the comments made by the representative of Japan regarding the opportunities opening up for UNIDO under such new funding arrangements as GEF and the Montreal Protocol. It had recently been decided to open the resources of GEF to all United Nations organizations, which could become implementing agencies. The Secretariat would shortly be holding discussions with UNDP and the World Bank concerning a new GEF programme in the area of water cleaning and management at a cost of $6 million. UNIDO was also working on fund mobilization under Agenda 21 and had obtained additional financing for Member States in the area of industrial project formulation. Under the Montreal Protocol, UNIDO had an opportunity to assist the global community over the next ten years in implementing its provisions. A target ceiling of $100 million had been set for 1995, of which $70 million were expected to be approved by the end of December 1994. In that connection, she pointed out that UNIDO had demonstrated its competence in the matter through the various activities it was carrying out at enterprise level.

68. Ms. KING-AKERELE (Managing Director, Country Strategy and Programme Development Division) expressed appreciation of all the supportive comments made on UNIDO's programme for the integration of women in industrial development. Regarding the point that the Organization should not forget activities specifically aimed at women in addition to the mainstream activities, that approach was fully reflected in the programme of work, and she drew attention specifically to document IDB.13/12, paragraphs 183 and 189-193. Projects would continue to be identified and designed to target the specific needs of women; projects of that kind remained the bulk of those being promoted by the relevant unit. With regard to the successful completion of the first part of the training programme to promote women's participation in the modernization of China, she said that the project was being financed by Germany and that continuation of the training activities would form the basis of phase 2 of the project. A project document had recently been discussed with the German finance authorities and there had been a very positive reaction from them.

69. Mr. PIŞKOUNOV (Managing Director, Human Resource, Enterprise and Private Sector Development Division) said that, following the Director-General's detailed comments on the conclusions and recommendations of the in-depth evaluation of the human resource development programme conducted two years previously, it only remained for him to express his great appreciation of the observations of delegations, which would certainly help improve the activity of his Division generally and of its human resource development strategy and programme in particular.

70. Mr. VENKATARAMAN (Managing Director, Investment and Technology Promotion Division) said he would not go into great detail, having asked his colleagues to contact individual delegations that had sought specific clarification. The debate had been very useful.

71. Referring first to item 4 (b) on the development and transfer of technology, and to the request for more information on Techmarts, he said that a very successful Techmart had recently taken place in Viet Nam with 250 foreign participants. A similar event in India in 1993 had led to the signing of 47 memoranda of understanding, including joint venture agreements. That had been achieved by publicizing as many as 1,700 technology offers in response to 700 technology requests from enterprises all over the world. There would clearly be demand from more countries for the holding of such Techmarts.

72. With regard to item 4 (f) on industrial investment promotion, he said many suggestions had been made to increase and intensify UNIDO's activities in that field. There had been one suggestion, however, that UNIDO should confine itself to investment activities arising from other UNIDO activities. In his view, that would be to miss the very essence of industrialization and the current internationalization of production, which process, coupled with increasing investment, was the current reality. If anything, he added, activities in that respect should be intensified. Every effort was being made to maintain high standards of quality so as to provide the most appropriate services to developing countries.

73. Welcoming the suggestion that UNIDO should cooperate with other organizations, he observed that the Director-General had made it clear that cooperation was needed in regard to both investment and technology; a memorandum of understanding had indeed been recently signed with UNESCO on cooperation in science and technology. While the Investment Promotion Service clearly did not intend to engage in such matters as investment promotion in mining or tourism, it definitely wished to be in the picture so far as industrial development was concerned. Regarding the mention made of cooperation with UNCTAD, it was surprising that UNIDO should be suddenly criticized for duplication in regard to something that it had been doing for 25 years. The Secretariat would welcome an opportunity to present its points of view to delegations at an informal briefing.

74. In general, he wished to highlight UNIDO's competitive advantage in regard to industrial investment. It indeed possessed a well-recognized methodological edge in regard to tools for pre-investment and feasibility studies. UNIDO

also had a strong IPF network in developed countries and now increasingly in developing countries too, coupled with expertise in many industrial sectors and the capacity to conduct training programmes in such matters as technology acquisition, feasibility studies and project preparation.

75. With regard to investment and IPS offices, particularly in developing countries and economies in transition, several representatives had suggested that UNIDO should proceed with the proposals and steps outlined in document IDB.13/12/Add.1. The sooner they were implemented, the easier it would be for interested countries to benefit from UNIDO activities and also from the network.

76. With regard to the danger of undue standardizing of IPS activities, UNIDO recognized the need for country variations in the activities of IPS offices, but at the same time a degree of uniformity and compatibility was required for the sake of information exchange, quality control and reporting, as well as integration with other UNIDO activities.

77. Regarding the request for clarification on programme funding in regard to IPS offices, that was one of the ideas being explored. The aim was to persuade donor countries that all UNIDO activities in investment promotion really helped the flow of investment from those countries, which might consequently allocate funds for strengthening the investment promotion network and aiding project completion and feasibility studies. Meanwhile, in the special-purpose contributions made by donor countries, they might give consideration to funding such activities.

78. With regard to consultations and the need to ensure value for money, he said that an effort was being made both to cut spending and to increase the benefit of consultations. The consultation process was no longer functioning in isolation. Account had been taken of the results of the evaluation carried out, and an attempt was being made to select one or two focused themes in the selected sectors rather than covering them in their entirety. The intention was also to give more attention to some new areas such as telecommunications and the automotive industry. Consultations had in the past led to the development of model contracts, the establishment of advisory panels, and the focus on mini-plants, for example. They represented the only international forum for providing sectoral perspectives in various individual sectors, and for focusing on the constraints faced by the developing countries. Note had been taken of the suggestion made that greater importance should be attached to following up the consultations, particularly those conducted recently.

79. With regard to ECDC/TCDC, the Director-General had already explained the great importance he attached to the matter, which had not been covered very fully in the documentation before the Board simply because it had been dealt with in document IDB.12/3 submitted at the twelfth session. On the whole, however, UNIDO's work in that field was expanding and tied in with many other activities such as the networks on biotechnology, electronics and capital goods in Latin America and the pesticides programme in Asia. The Organization would like to provide a more programmatic focus on ECDC in the coming months and make it a more vital instrument in the activities of UNIDO.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

(b) FINANCIAL SITUATION OF UNIDO

(c) MEDIUM-TERM PLAN, 1996-2001 (INCLUDING IMPLEMENTATION OF RESOLUTION GC.5/Res.1)

(d) UNIDO-ADMINISTERED FUNDS

(i) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING

(ii) INDUSTRIAL DEVELOPMENT FUND

(iii) IN-DEPTH EVALUATION OF SPECIAL TRUST FUND PROJECTS

(e) UNIDO COUNTRY DIRECTOR PROGRAMME

(f) ACCOUNTING STANDARDS

(g) ELECTRONIC DATA-PROCESSING PROGRAMME (IDB.12/2; IDB.13/2, IDB.13/3 and Add.1, IDB.13/4 and Corr.1, IDB.13/5-9, IDB.13/10 and Add.1, IDB.13/11, IDB.13/19-21, IDB.13/22 and Add.1, IDB.13/24, IDB.13/28, IDB.13/29, IDB.13/31; IDB.13/CRP.4, IDB.13/CRP.6)

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT (IDB.13/25 and Add.1, IDB.13/31; IDB.13/CRP.5)

80. Mr. VAN RAALTE (Managing Director, Division of Administration), referring to the report of the Secretariat on the implementation of the External Auditor's recommendations (IDB.13/21), said that a committee had been established, as promised by the Director-General, to follow up and monitor those recommendations. The document contained a detailed description of action taken during the summer by the Secretariat. In general, the comments of the External Auditor for improving administrative procedures had been much appreciated and the report had been used as a management tool.

81. Turning to the financial situation of UNIDO, as presented in documents IDB.13/22 and IDB.13/CRP.4, he said the regular budget was stable and the outlook for the rest of 1994-1995 relatively positive, which had enabled the Secretariat to move ahead with the financial implementation of the programme of work. It would be premature, however, to consider that UNIDO's financial problems were over, since non-payment and irregular payments of Member States' assessed contributions had in the past diminished cash availability and impaired systematic implementation of the work programme. It was to be hoped that such situations would in future be avoided through more regular payments of assessed contributions.

82. UNIDO's lack of leeway was demonstrated by the fact that the cash balance at the end of October 1994 was $12.6 million, representing slightly more than one month's expenditures as against the two and a half months consistent with prudent financial planning. A sizeable payment of assessed contributions was expected soon, however, and should improve the cash situation. In addition, the collection rate had improved slightly for the period up to October as compared with the same period in 1993.

83. Document IDB.13/22 explained the budgetary surplus expected in 1994-1995, mainly arising from higher-than-budgeted vacancy factors. Savings were also achieved on non-staff costs, such as communications and travel. The document also described measures to be taken to achieve full utilization of those resources by providing allocations to priority programmes and activities already discussed by the Director-General and mentioned by several delegations.

84. The situation in the operational budget was less positive; the income level was lower than previously estimated while expenditure was up owing to the decline in the value of the United States dollar. The reduction in the United Nations rate of exchange had led to cost increases of approximately $700,000. The Secretariat intended to continue reducing operational budget expenditures by accelerating the transfer of operational budget staff to vacant regular budget posts, as proposed in document PBC.10/10 and endorsed in the Programme and Budget Committee's conclusion 94/9.

85. With regard to UNIDO's plans to replace its telephone system (see document IDB.13/22/Add.1), he said that the existing system, dating back to 1979, had become unreliable and in any case unable to cope with current volume and accountability requirements. The PBC had urged UNIDO to discuss possible financing with the Austrian Government; IAEA had also held discussions with the Austrian Government for the same purpose. They had been unavailing, however, and UNIDO had learned that there was no realistic prospect of obtaining financing for the new telephone system from the host Government.

86. UNIDO therefore now wished to explore various options jointly with IAEA and UNOV. Owing to economies achieved in general operating costs, funds had become available to participate in the procurement of UNIDO's part of a new telephone system. Since, however, the funding for the telephone system derived from economies in one major object of expenditure while the funds were needed in another, the Board's approval was being sought, under Article 9, paragraph 4 (a), of the Constitution, for redeployment of $1.0 million from general operating expenses to acquisition of equipment and furniture. That would avoid having to postpone a decision until the next General Conference session, when it might be too late to allow UNIDO to benefit from a joint approach with IAEA and UNOV.

87. Document IDB.13/28, responding to a request by the PBC for a review of the scope and content of the operational budget and its relationship to the regular budget, was a fairly technical document basically describing categorization of support costs and the impact on the regular budget of supporting technical cooperation projects. The document also indicated action being taken by the Secretariat to improve cost-efficiency and achieve a more rational allocation of operational budget resources to programmes supporting technical cooperation activities.

88. With regard to accounting standards, he observed that the standards recommended by the United Nations General Assembly had been used by UNIDO in the preparation of its last biennium reports.

89. On the subject of the computerization programme under item 5 (g), he explained that document IDB.13/20 described action taken on the Touche Ross recommendations. UNIDO had gone beyond those recommendations by establishing two committees to support the use of information technology: one on policy and strategic issues and the other on technical matters. Both were helping management to focus on immediate needs and future priorities for UNIDO's rather limited resources. Electronic mail and use of the Internet network were also being introduced to improve communications in the house and with UCDs and field offices. That would result in improved synergy and communication among staff and more effective team building, as well as substantial savings in paper, fax, telex and telephone costs. Member States would also be able to access UNIDO's databases faster and better; and UNIDO itself would be able to access external databases and all the industrial and technological information they offered. In preparation for those initiatives, UNIDO was planning a series of briefings on information-related topics and the necessary training for both management and staff, and on the potential and use of those technologies.

90. Turning to the subject of home leave entitlement under item 13, he recalled decision IDB.12/Dec.4 and drew attention to document IDB.13/25, containing a proposal by the Philippines. The conference room paper on home leave (IDB.13/CRP.5) represented the initial results of the review requested of the Secretariat, examining UNIDO's arrangements and those of other common system organizations. The comparison showed UNIDO to be one of the most cost-effective organizations in its home leave arrangements. UNIDO's lump-sum arrangement for home leave travel during the first half of 1994 had achieved significant savings and dispelled claims of exaggerated "windfall gains" by the staff.

91. The issues involved were complex; six considerations needing to be taken into account in a study on the lump-sum option were: the savings to UNIDO; the need for an incentive to staff to use the option; administrative simplicity; the practice of other agencies in the system, especially in Vienna; differences in the travel market; and the entitlement of staff under the common system. Such issues did not lend themselves to detailed solution by Board resolutions and should instead remain the responsibility of the Director-General, as provided for in the Constitution and the Staff Regulations.

92. The issue of home leave had also been discussed at the IAEA Board of Governors, which had welcomed the intention to make use of the established consultative process in considering the matter further. It was hoped that the Board would adopt a similar approach and so facilitate close coordination with IAEA and, to the extent possible, with UNOV, and that new measures resulting from the studies could be introduced by 1 January 1995, to be reported to the next PBC and Board meetings.

The meeting rose at 1.10 p.m.